GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5076
ANSWERED ON:20.12.2002
NORMS TO DECLARE A COMPANY SICK
V. VETRISELVAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) the present norms to declare a company sick;

(b) whether the Government proposes to reframe the norms for declaring any company as sick;

(c) If so, the details of changes proposes to be made in the earlier norms alongwith the reasons therefor; and

(d) by when these norms are likely to be put into effect?

Answer

MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a): As per Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 a company is declared to be sick only after its net worth is fully eroded and the unit has been in existence for 5 years. Hence to initiate remedial measures under BIFR mechanism, total erosion of net worth of a Company is a prerequisite.

(b), (c) & (d): The Companies (Second Amendment) Bill, 2002, passed by the Parliament, defines a sick Company.